# CAPE LAMBERT RESOURCES LIMITED

## ABN 71 095 047 920

## AND ITS CONTROLLED ENTITIES

Interim Financial Report
For The Half-Year Ended
31 December 2014

**CAPE LAMBERT RESOURCES LIMITED**
**ABN 71 095 047 920**
**AND ITS CONTROLLED ENTITIES**

**INTERIM FINANCIAL REPORT**
**For the Half-Year Ended 31 December 2014**

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**CAPE LAMBERT RESOURCES LIMITED**
**ABN 71 095 047 920**
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**INTERIM FINANCIAL REPORT**
**For the Half-Year Ended 31 December 2014**

## CORPORATE DIRECTORY

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**ABN**

71 095 047 920

**DIRECTORS**

Tony Sage
(Executive Chairman)

Timothy Turner
(Non-Executive Director)

Jason Brewer
(Non-Executive Director)

Ross Levin
(Non-Executive Director)

**COMPANY SECRETARY**

Melissa Chapman

**REGISTERED OFFICE**

32 Harrogate Street
WEST LEEDERVILLE WA 6007
Telephone: (08) 9380 9555 Facsimile: (08) 9380 9666

**AUDITORS**

Ernst & Young
11 Mounts Bay Road
PERTH WA 6000
Telephone: (08) 9429 2222 Facsimile: (08) 9429 2436

**SHARE REGISTRAR**

Computershare Investor Services
Level 2, 45 St George's Terrace
PERTH WA 6000
Telephone: (08) 9323 2000 Facsimile: (08) 9323 2033

**STOCK EXCHANGE LISTING**

Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
Code: CFE

**CAPE LAMBERT RESOURCES LIMITED**
**ABN 71 095 047 920**
**AND ITS CONTROLLED ENTITIES**

**INTERIM FINANCIAL REPORT**
**For the Half-Year Ended 31 December 2014**

**DIRECTORS' REPORT**

Your Directors submit the financial report of Cape Lambert Resources Limited (**Cape Lambert** or **Company**) and its controlled entities (together the **Consolidated Entity**) for the half-year ended 31 December 2014.

## DIRECTORS

The names of Directors who held office during or since the end of the half-year are set out below. Directors were in office for this entire period unless otherwise stated.

Tony Sage
Timothy Turner
Jason Brewer
Ross Levin

## COMPANY SECRETARY

Melissa Chapman

## REVIEW OF RESULTS AND OPERATIONS

### Principal Activity

The principal activity of the Consolidated Entity during the half-year was mineral investment, exploration and evaluation.

There were no significant changes in the nature of the principal activity during the half-year.

### Review of Operations

### Corporate

A summary of the most significant transactions is set out below:

- On 14 July 2014 the Company announced it had reached an out of court settlement with MCC Australia Sanjin Pty Ltd and its parent company Metallurgical Corporation of China Limited (**MCC**) over the final $80 million owing from the sale of the Cape Lambert magnetite iron ore project in mid-2008.

  The Company commenced legal action against MCC in September 2010. In March 2013, the Court made orders, inter alia, for the dispute to be determined by an arbitrator in Singapore. In August 2013 the arbitrator issued a partial award requiring MCC China to pay the sum of $80 million into an escrow account pending the determination of the substantive dispute. On 26 November 2013, the Company announced that MCC had transferred the disputed sum of $80 million into an escrow account held with the National Australia Bank, as directed by the arbitrator. The substantive legal matter was due to be heard in Singapore commencing in July 2014.

  In July 2014, the Company reached an out of court settlement with MCC. Under the terms of the settlement, the escrow agent was ordered to release the funds held in escrow with $30 million payable to MCC and the balance of $51.6 million, which included accrued interest, to Cape Lambert. The funds were received by the Company on 17 July 2014.

- On 1 August 2014, the Company announced it had reached an out of court settlement with the Australian Taxation Office (**ATO**) over the notice of amended tax assessment and penalty notice (**Amended Assessment**) received by the Company in May 2012.

On 11 December 2012 the Company announced that following discussions with the ATO it had agreed to an arrangement for payment (**Arrangement**) to pay half the primary tax and shortfall interest charge pending the outcome of objections lodged by the Company. Under this Arrangement the Company paid to the ATO an amount of $33,395,426. On 26 February 2014 the Company announced that the objections lodged with the ATO in relation to the Amended Assessment were disallowed.

In August 2014, the Company announced it had reached an out of court settlement with the ATO. Under the terms of the settlement, the Company has, on a without admission of liability basis, made a final payment to the ATO of $2,465,106 following the issue of further amended assessments. This represents full and final settlement and removes the potential for any further payments to the ATO under the Amended Assessment issued in 2012.

- On 8 August 2014, following the successful settlements with the ATO and MCC, the Company announced the payment of 4cps in fully franked dividends. The payment of the first fully franked dividend of 2cps was made on 31 October 2014. On 7 January 2015, the Company announced the postponement of the second fully franked dividend of 2cps originally scheduled to be paid on 27 February 2015.

- On 22 October 2014, the Company announced it had entered into a binding terms sheet with Timis Mining Corporation SL Limited and Timis Mining Corporation Limited (collectively **Timis Mining**) to provide financing of US$20 million to assist Timis Mining with its acquisition of the Marampa Iron Ore Mine (**Mine**) in Sierra Leone from the administrator of London Mining PLC (London Mining) (**Agreement**).

  The Agreement was divided into two parts being US$8 million bridging finance and US$12 million royalty purchase (**Royalty Purchase**). Pursuant to the Royalty Purchase, Cape Lambert will receive US$2 per tonne of iron concentrate exported from the Mine. The royalty is payable over a four year period and in the event the Mine temporarily suspends production for a force majeure event, the royalty period will be extended by the same period that the force majeure event continues. The first royalty payment of approximately A$400k was received by the Company in January 2015.

  Under the terms of the Agreement, Timis Mining also has exclusive rights to purchase 100 million tonnes of oxide material from the Company's neighbouring Marampa Project, or a greater amount as determined by further drilling of Cape Lambert's other Sierra Leone Projects.

- In January 2014, the Company commenced an on market buy-back of up to 10% of the Company's fully paid ordinary shares. Shares bought back by the Company are subsequently cancelled. During the six months ended 31 December 2014, the Company bought back 8,041,271 shares for a total consideration of $899,527. At conclusion of the on market buy-back on 23 January 2015, the Company had bought back 41,252,301 shares for a total consideration of $4,244,992.

**Project Information**

As at 31 December 2014, the Company's key projects were as follows:

- Marampa Iron Ore Project (**Marampa** or **Marampa Project**) located in Sierra Leone;
- Rokel Iron Ore Project (**Rokel**) located in Sierra Leone;
- Cote D'Ivoire Gold Project (**Cote D'Ivoire**) located in Cote D'Ivoire;
- Sandenia Iron Ore Project (**Sandenia**) located in the Republic of Guinea;
- Kukuna Iron Ore Project (**Kukuna**) located in Sierra Leone;
- Mt Anketell Iron Ore Project located in the Pilbara of Western Australia;
- Wee McGregor Copper Project (**Wee McGregor**) located in Queensland, Australia.

**DIRECTORS' REPORT**

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The following milestones were achieved during the half-year ended 31 December 2014:

Marampa

- In October, the Company received a notice from the Ministry of Mineral Resources (**MoMR**) of Sierra Leone that its Large Scale Mining Licence application lodged late in 2013 was approved.
- The Company is currently in discussions with MoMR on the mine lease agreement which sets out the terms and conditions under which the Company would operate the large scale mine. The mine lease agreement is expected to take 6 to 9 months to finalise.
- In December, the Company instituted cost reduction measures in Sierra Leone and commenced to downsize its workforce to a skeleton crew in light of recent deteriorating market conditions and the substantial fall in the iron ore price.

Rokel

- In January 2015, notification of the acceptance of two exploration lease relinquishments and partial relinquishments to 12 of the remaining 15 leases was received from the Ministry of Mining and Mineral Resources (MMMR). These relinquishments reduce the tenement holdings to 15 exploration licences (previously 17) with an associated reduction in area from 2,386 square kilometres to 1,688 square kilometres.
- Mapping and rock chip sampling was completed in the Magbosi and Makonkari licences over magnetite targets and moved north into the Lankono licence area. Outcrops of magnetite gneiss, granitic gneiss containing magnetite and magnetite rich laterites continue to be discovered.
- Exploration activities on the extensions to the eastern hematite targets progressed with reconnaissance mapping and pitting programs being completed during the half.
- Mapping and pitting programs were completed on the northern leases to test extensions to the known mineralisation in the Kukuna district. Significant specular hematite schist was observed along strike on both the Kukuna North (EL18/2011) and Kukuna South (EL09/2012) licences adjacent to the main Kukuna (EL22/2012) mineralisation.
- On the Kambia East licence (EL22/2011), geological mapping and soil sampling were completed over a magnetic anomaly along a major regional structure. The anomaly is prospective for gold mineralisation and is coincident with recent illegal modern mechanised workings targeting gold mineralisation in the area.
- Mapping and pitting programs to test for southerly extensions to the known Kumrabai mineralisation on the Marampa East licence (20/2011) were similarly completed at the following prospects on the southern leases:

    - Makumba and Matopi (Mawanka licence EL21/2011);
    - Petifu (Gbahama licence EL11/2011);
    - Bongoma (Gbangbama licence EL24/2011);
    - Kumrabai South (Marampa East licence EL20/2011).

Cote D'Ivoire

- The Company completed Aeromagnetic Surveys across all 3 of its tenements in September 2014.
- A regional mapping program was carried out by Perth based SRK Consultants over the 3 tenements and completed in December 2014. The program was conducted to investigate promising interpreted structural features for hosting gold mineralisation identified from the airborne geophysical and radiometric survey mentioned above.

Sandenia

- The camp and facilities have been placed on care and maintenance and the Company is continuing to seek divestment opportunities for the project.

Kukuna

- The Kukuna project is currently under care and maintenance. The Company is maintaining the camp as a base for future exploration activities in and around the district.

Mt Anketell

- The Company is currently in the process of divesting Mt Anketell.

Wee McGregor

- The Company is presently in discussion with prospective investors for the divestment of this project.

***Competent Person:***
*The information in this report that relates to Exploration Targets and Exploration Results is based on information compiled by Dennis Kruger, who is an independent consultant from Durban Investments Pty Ltd. Mr Kruger is a Member of The Australian Institute of Mining and Metallurgy and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Kruger consents to the inclusion in the report of the matters based on his information in the form and context in which appears. Mr Kruger has disclosed to the reporting company the full nature of the relationship between himself and the company, including any issue that could be perceived by investors as a conflict of interest. He verifies that the Report is based on and fairly and accurately reflects in the form and context in which it appears, the information in supporting documentation relating to Exploration Targets and Exploration Results.*

The board intends to continue to follow its strategy of acquiring and investing in undervalued and/or distressed mineral assets and companies (**Projects**) and improve the value of these Projects, through a hands on approach to management, exploration, evaluation and development and retaining a long-term exposure to these Projects through a production royalty and/or equity interest. Cape Lambert aims to deliver shareholder value by adding value to these undeveloped Projects. If Projects are converted into cash, the Company intends to follow a policy of distributing surplus cash to Shareholders.

**Result**

The Consolidated Entity made a loss after income tax for the half-year ended 31 December 2014 of $11,923,381 (31 December 2013: profit of $2,312,805).

## EVENTS SUBSEQUENT TO BALANCE DATE

The following significant events and transactions have taken place subsequent to 31 December 2014:

- On 7 January 2015, the Company announced cost reduction measures subsequent to a review of its capital management strategy and projected expenditure in light of recent deteriorating market conditions and the substantial fall in the iron ore price.

  As a result, the Company instituted a range of cost reduction measures across its business, reduced exploration activities across its portfolio of assets and placed some non-core assets on 'care and maintenance'.

  In addition to these measures, the Board has also determined it prudent to postpone the second dividend payment to shareholders scheduled for payment on 27 February 2015.

- On 23 January 2015, the Company announced the completion of the on market buy-back which commenced on 23 January 2014. A total amount of $4,244,992 was paid to buy back 41,252,301 ordinary shares. Shares that were bought back by the Company have been cancelled.

- On 27 January 2015, the Company announced it had received its first royalty payment from Timis Mining of approximately A$400k. The payment represented the first shipment of iron concentrate from the Marampa Iron Ore Mine in December 2014.

## DIVIDEND

On 8 August 2014, the Company announced that it would pay a fully franked dividend. The first payment of $0.02 per share was made on 31 October 2014. Per the announcement made by the Company on 7 January 2015, the Board has determined it prudent to postpone the second dividend payment to shareholders scheduled for payment on 27 February 2015

## AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 8 for the half -year ended 31 December 2014.

This report is signed in accordance with a resolution of the Board of Directors.

Tony Sage
Director

Dated this 6th day of March 2015

Ernst & Young
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Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

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# Auditor's independence declaration to the directors of Cape Lambert Resources Limited

In relation to our review of the interim financial report of Cape Lambert Resources Limited for the half-year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

G H Meyerowitz
Partner
6 March 2015

**CAPE LAMBERT RESOURCES LIMITED**
**ABN 71 095 047 920**
**AND ITS CONTROLLED ENTITIES**

**INTERIM FINANCIAL REPORT**
**For the Half-Year Ended 31 December 2014**

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | For the six months ended 31 December 2014 $ | 31 December 2013 $ |
|---|---|---|---|
| Revenue | 3a | **2,887,609** | 956,818 |
| Other income | 3b | **1,702,873** | 6,688,479 |
| Share based payments expense | | **(8,854)** | 301,986 |
| Directors remuneration and employee benefits expenses | | **(1,879,728)** | (824,536) |
| Consulting and professional services expenses | | **(1,009,253)** | (2,012,685) |
| Occupancy expenses | | **(734,672)** | (431,813) |
| Compliance and regulatory expenses | | **(212,745)** | (152,319) |
| Travel and accommodation | | **(49,773)** | (223,084) |
| Depreciation and amortisation expense | | **(483,248)** | (691,959) |
| (Loss) / gain on fair value of financial assets through profit and loss | | **(617,931)** | 3,602,368 |
| Other expenses | | **(711,404)** | (688,542) |
| Impairment of capitalised exploration | 7 | **(9,811,037)** | (451) |
| Impairment of loans receivable | | **-** | (281,500) |
| Impairment of unlisted investment | 6c | **(50,000)** | (1,963,331) |
| Share of net losses of associates accounted for using the equity method | 8b | **(945,218)** | (1,413,178) |
| **(Loss) / profit before income tax** | | **(11,923,381)** | 2,866,253 |
| Income tax benefit / (expense) | | **-** | (553,448) |
| **(Loss) / profit after income tax** | | **(11,923,381)** | 2,312,805 |
| **Other comprehensive income/(expenditure) net of tax** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Foreign exchange differences arising on translation of foreign operations | | **13,053,202** | 2,308,711 |
| Share of reserves of associate accounted for using the equity method | | **578,039** | 232,317 |
| **Total comprehensive income for the period** | | **1,707,860** | 4,853,833 |
| (Loss) / profit after income tax attributable to: | | | |
| Members of Cape Lambert Resources Limited | | **(11,471,080)** | 2,312,805 |
| Non-controlling interests | | **(452,301)** | - |
| | | **(11,923,381)** | 2,312,805 |
| Total comprehensive income attributable to: | | | |
| Members of Cape Lambert Resources Limited | | **2,160,161** | 4,853,833 |
| Non-controlling interests | | **(452,301)** | - |
| | | **1,707,860** | 4,853,833 |
| (Loss) / profit per share attributable to members of Cape Lambert Resources Limited | | | |
| Basic (loss) / profit per share (cents per share) | | **(6.49)** | 0.3426 |
| Diluted (loss) / profit per share (cents per share) | | **(6.49)** | 0.3426 |

*The accompanying notes form part of this financial report.*

**CAPE LAMBERT RESOURCES LIMITED**
**ABN 71 095 047 920**
**AND ITS CONTROLLED ENTITIES**

**INTERIM FINANCIAL REPORT**
**For the Half-Year Ended 31 December 2014**

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | As at 31 December 2014 $ | As at 30 June 2014 $ |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 16 | **16,681,835** | 20,490,719 |
| Restricted cash | 4 | **31,512** | 16,431 |
| Trade and other receivables | 5 | **15,912,376** | 56,382,147 |
| **TOTAL CURRENT ASSETS** | | **32,625,723** | 76,889,297 |
| | | | |
| **NON-CURRENT ASSETS** | | | |
| Other financial assets | 6 | **21,104,504** | 5,157,950 |
| Investments accounted for using the equity method | 8 | **4,192,084** | 3,652,394 |
| Restricted cash | 4 | **81,833** | 81,833 |
| Plant and equipment | | **1,990,032** | 2,341,220 |
| Exploration and evaluation expenditure | 7 | **136,230,495** | 125,755,066 |
| **TOTAL NON-CURRENT ASSETS** | | **163,598,948** | 136,988,463 |
| | | | |
| **TOTAL ASSETS** | | **196,224,671** | 213,877,760 |
| | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | | **3,289,446** | 7,071,630 |
| Provisions | | **618,101** | 437,271 |
| Current tax liabilities | | **-** | 2,309,543 |
| **TOTAL CURRENT LIABILITIES** | | **3,907,547** | 9,818,444 |
| | | | |
| **NON CURRENT LIABILITIES** | | | |
| Provisions | | **487,295** | 512,942 |
| Dividend payable | 10 | **12,533,732** | - |
| **TOTAL NON CURRENT LIABILITIES** | | **13,021,027** | 512,942 |
| | | | |
| **TOTAL LIABILITIES** | | **16,928,574** | 10,331,386 |
| | | | |
| **NET ASSETS** | | **179,296,097** | 203,546,374 |
| | | | |
| **EQUITY** | | | |
| Issued capital | 11 | **189,786,328** | 190,685,855 |
| Reserves | | **16,138,637** | 2,498,542 |
| Retained earnings | | **(26,792,234)** | 9,746,310 |
| Parent interests | | **179,132,731** | 202,930,707 |
| Non-controlling interest | | **163,366** | 615,667 |
| **TOTAL EQUITY** | | **179,296,097** | 203,546,374 |

*The accompanying notes form part of this financial report.*

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Issued Capital<br>$ | Retained earnings/ (accumulated losses)<br>$ | Share Based Payment Reserve<br>$ | Foreign Currency Translation Reserve<br>$ | Business Combination Reserve<br>$ | Parent Equity Interest | Non-controlling Interest | Total<br>$ |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2014** | **190,685,855** | **9,746,310** | **1,623,840** | **2,478,621** | **(1,603,919)** | **202,930,707** | **615,667** | **203,546,374** |
| Loss for the year | - | (11,471,080) | - | - | - | (11,471,080) | (452,301) | (11,923,381) |
| ***Other comprehensive income*** | | | | | | | | |
| Share of associate's share based payments reserve | - | - | 565,396 | - | - | 565,396 | - | 565,396 |
| Share of associate's foreign currency translation reserve | - | - | - | 12,643 | - | 12,643 | - | 12,643 |
| Foreign exchange differences arising on translation of foreign operations | - | - | - | 13,053,202 | - | 13,053,202 | - | 13,053,202 |
| Total comprehensive income for the half-year | - | (11,471,080) | 565,396 | 13,065,845 | - | 2,160,161 | (452,301) | 1,707,860 |
| ***Transactions with owners in their capacity as owners*** | | | | | | | | |
| On market buy back | (899,527) | - | - | - | - | (899,527) | - | (899,527) |
| Dividend paid | - | (12,533,732) | - | - | - | (12,533,732) | - | (12,533,732) |
| Dividend provided for | - | (12,533,732) | - | - | - | (12,533,732) | - | (12,533,732) |
| Share based payments during the period | - | - | 8,854 | - | - | 8,854 | - | 8,854 |
| Transactions with equity holders in their capacity as equity holders | (899,527) | (25,067,464) | 8,854 | - | - | (25,958,137) | - | (25,958,137) |
| **Balance at 31 December 2014** | **189,786,328** | **(26,792,234)** | **2,198,090** | **15,544,466** | **(1,603,919)** | **179,132,731** | **163,366** | **179,296,097** |

*The accompanying notes form part of this financial report.*

**CAPE LAMBERT RESOURCES LIMITED**
**ABN 71 095 047 920**
**AND ITS CONTROLLED ENTITIES**

**INTERIM FINANCIAL REPORT**
**For the Half-Year Ended 31 December 2014**

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Issued Capital<br>$ | Retained earnings<br>$ | Share Based Payment Reserve<br>$ | Foreign Currency Translation Reserve<br>$ | Business Combination Reserve<br>$ | Total<br>$ |
|---|---|---|---|---|---|---|
| **Balance at 1 July 2013** | **195,614,664** | **33,898,550** | **1,811,542** | **4,273,414** | **(1,603,919)** | **233,994,251** |
| Loss for the year | - | 2,312,805 | - | - | - | 2,312,805 |
| ***Other comprehensive income*** | | | | | | |
| Share of associate's share based payments reserve | - | - | 104,984 | - | - | 104,984 |
| Share of associate's foreign currency translation reserve | - | - | - | 127,333 | - | 127,333 |
| Foreign exchange differences arising on translation of foreign operations | - | - | - | 2,308,711 | - | 2,308,711 |
| Total comprehensive income for the half-year | - | 2,312,805 | 104,984 | 2,436,044 | - | 4,853,833 |
| ***Transactions with owners in their capacity as owners*** | | | | | | |
| On market buy back | (1,583,345) | - | - | - | - | (1,583,345) |
| Share based payments during the period | - | - | 29,215 | - | - | 29,215 |
| Share based payments lapsed during the period | - | - | (331,201) | - | - | (331,201) |
| Transactions with equity holders in their capacity as equity holders | (1,583,345) | - | (301,986) | - | - | (1,885,331) |
| **Balance at 31 December 2013** | **194,031,319** | **36,211,355** | **1,614,540** | **6,709,458** | **(1,603,919)** | **236,962,753** |

*The accompanying notes form part of this financial report.*

## CONSOLIDATED STATEMENT OF CASH FLOWS

| | Note | For the six months ended 31 December 2014 $ | 31 December 2013 $ |
|---|---|---|---|
| **CASHFLOWS FROM OPERATING ACTIVITIES** | | | |
| Payments to suppliers and employees (inclusive of GST) | | **(7,915,144)** | (4,830,911) |
| Interest received | | **805,550** | 535,522 |
| Interest and other finance costs paid | | **-** | (26,783) |
| Income tax paid | 9 | **(2,465,106)** | - |
| **Net cash used in operating activities** | | **(9,574,700)** | (4,322,172) |
| **CASHFLOWS FROM INVESTING ACTIVITIES** | | | |
| Payment for acquiring interest in associated entity | | **-** | (513,751) |
| Payments for exploration and evaluation | 7a | **(8,557,425)** | (5,516,707) |
| Purchase of property, plant and equipment | | **(46,301)** | (67,975) |
| Payment of restricted cash balances in relation to environmental bonds / performance bonds | | **(12,500)** | - |
| Release of restricted cash balances in relation to environmental bonds / performance bonds | | **-** | 12,500 |
| Purchase of equity investments | | **(588,888)** | (340,874) |
| Loans to associated entity | | **-** | (210,000) |
| Loans | | **(9,885,362)** | - |
| Purchase of royalty asset | 6b | **(13,766,142)** | - |
| Payment on subscription to convertible loan notes | | **(250,250)** | (2,205,685) |
| Proceeds received as deferred consideration on sale of prospect | 5b | **51,504,270** | 11,503,611 |
| Proceeds from sale of equity investments | | **49,327** | 246,703 |
| Repayment of loans received | | **650,000** | 500,000 |
| **Net cash from investing activities** | | **19,096,729** | 3,407,822 |
| **CASHFLOWS FROM FINANCING ACTIVITIES** | | | |
| On-market buy back | | **(899,527)** | (1,583,345) |
| Dividend paid | | **(12,533,732)** | - |
| **Net cash provided by / (used in) financing activities** | | **(13,433,259)** | (1,583,345) |
| **Net decrease in cash and cash equivalents** | | **(3,911,230)** | (2,497,695) |
| Cash and cash equivalents at beginning of period | | **20,490,719** | 17,034,354 |
| Foreign exchange difference | | **102,346** | 7,331 |
| **Cash and cash equivalents at end of period** | 16 | **16,681,835** | 14,543,990 |

*The accompanying notes form part of this financial report.*

## 1. BASIS OF PREPARATION

***General Information***

This general purpose condensed financial report for the half-year ended 31 December 2014 has been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001* and was authorised for issue in accordance with a resolution of Directors on 6 March 2015.

Cape Lambert Resources Limited is a company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded in the ASX. The principal activity of the Consolidated Entity during the half-year was mineral investment, exploration and evaluation.

This half-year financial report is to be read in conjunction with the annual financial report for the year ended 30 June 2014 and any public announcements made by Cape Lambert Resources Limited and its controlled entities during the half-year in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001*.

The half-year financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as in the full financial report.

***Significant Accounting Policies***

Except as noted below, the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

***New and amended accounting standards and interpretations***

The Company has adopted all Australian Accounting Standards and Interpretations effective from 1 July 2014, including:

| Reference | Title | Summary |
|---|---|---|
| AASB 2012-3 | Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities | AASB 2012-3 adds application guidance to AASB 132 *Financial Instruments: Presentation* to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. |
| AASB 2013-3 | Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets | AASB 2013-3 amends the disclosure requirements in AASB 136 *Impairment of Assets.* The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. |
| AASB 2014-1<br>Part A -Annual Improvements<br>2010–2012 Cycle | Amendments to Australian Accounting Standards - Part A<br>Annual Improvements to IFRSs 2010–2012 Cycle | AASB 2014-1 Part A: This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) *Annual Improvements to IFRSs 2010–2012 Cycle* and *Annual Improvements to IFRSs 2011–2013 Cycle.*<br>Annual Improvements to IFRSs 2010–2012 Cycle addresses the following items:<br>► AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'.<br>► AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137.<br>► AASB 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the |

| Reference | Title | Summary |
|---|---|---|
| | | entity's total assets.<br>► AASB 116 & AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.<br>► AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed. |
| AASB 2014-1<br>Part A -Annual Improvements<br>2011–2013 Cycle | Amendments to Australian Accounting Standards - Part A<br>Annual Improvements to IFRSs 2011–2013 Cycle | Annual Improvements to IFRSs 2011–2013 Cycle addresses the following items:<br>► AASB13 - Clarifies that the portfolio exception in paragraph 52 of AASB 13 applies to all contracts within the scope of AASB 139 or AASB 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132.<br>► AASB 140 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of AASB 3 that includes an investment property. That judgment is based on guidance in AASB 3. |

The adoption of new and amended standards and interpretations had no impact on the financial position or performance of the Company.

The Company has not elected to early adopt any new accounting standards and interpretations.

***Significant estimates and judgments***

The Consolidated Entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Refer to the most recent annual financial report for the year ended 30 June 2014 for a discussion of the significant estimates and judgments.

## 2. SEGMENT INFORMATION

AASB 8 Operating Segments requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Chief Operating Decision Maker (**CODM**) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. In the case of the Group the CODM are the executive management team and all information reported to the CODM is based on the consolidated results of the Group as one operating segment, as the Group's activities relate to mineral exploration.

Accordingly, the Group has only one reportable segment and the results are the same as the Group results.

| | 31 December 2014 $ | 31 December 2013 $ |
|---|---|---|
| **3. PROFIT FROM OPERATIONS** | | |
| **(a) Revenue** | | |
| Interest | **2,729,795** | 740,381 |
| Rental revenue | **157,814** | 166,437 |
| Other | **-** | 50,000 |
| | **2,887,609** | 956,818 |
| | | |
| **(b) Other income** | | |
| Gain on re-measurement of contingent consideration receivable | **-** | 6,500,000 |
| Foreign currency gains | **1,593,699** | - |
| Other | **109,174** | 188,479 |
| | **1,702,873** | 6,688,479 |

| **4. RESTRICTED CASH** | Consolidated 31 December 2014 $ | Consolidated 30 June 2014 $ |
|---|---|---|
| **Current** | | |
| Term deposits | **31,512** | 16,431 |
| | | |
| **Movement** | | |
| Brought forward | **16,431** | 6,449,963 |
| Payment of restricted cash in relation to environmental bonds | **12,500** | - |
| Restricted cash received on acquisition of subsidiary | **-** | 1,447,988 |
| Release of restricted cash in relation to environmental bonds / performance bonds | **-** | (7,894,563) |
| Exchange differences | **2,581** | 13,043 |
| | **31,512** | 16,431 |
| **Non current** | | |
| Term deposits | **81,833** | 81,833 |

Restricted cash relates to term deposits, which are not readily accessible to the Consolidated Entity, held with financial institutions as security for bank guarantees issued to:

(a) Various environmental regulatory departments in respect of the potential rehabilitation of exploration areas; and
(b) Landlords of leased properties.

## 5. TRADE AND OTHER RECEIVABLES

| | 31 December 2014 | 30 June 2014 |
|---|---|---|
| | $ | $ |
| **Trade and other receivables – current** | | |
| Trade debtors | **1,139,136** | 266,212 |
| GST recoverable and other debtors | **324,234** | 312,065 |
| Prepayments | **439,477** | 313,954 |
| Interest receivable | **344,944** | 138,894 |
| Deferred consideration receivable | **2,500,000** | 2,500,000 |
| Bridging finance receivable (a) | **9,806,400** | - |
| Receivable on sale of tenements (b) | **-** | 51,401,022 |
| Loans receivable (c) | **1,358,185** | 1,450,000 |
| | **15,912,376** | 56,382,147 |

(a) On 22 October 2014, the Company announced that it had entered into a US$20 million funding agreement with Timis Mining (**Agreement**) to assist it with the acquisition of London Mining's Marampa Iron Ore Mine (**Mine**) from the administrator of London Mining PLC.

The Agreement was divided into two parts, being:

(a) US$8 million (equivalent to A$9,177,428 on the date the funds were advanced) Bridging Finance repayable in 12 months and incurring interest of 3 months US LIBOR (London interbank offered rate) + 6%; and

(b) US$12 million (equivalent to A$13,766,142 on the date the funds were advanced) for purchase of a royalty (see Note 6).

(b) On 14 July 2014, the Company announced it had reached an out of court settlement with MCC Australia Sanjin Pty Ltd and its parent company Metallurgical Corporation of China Limited (**MCC**). Under the terms of the settlement, the escrow agent was ordered to release the funds held in escrow with $30 million payable to MCC and the balance of $51.6 million ($51.4 million net of withholding tax refundable to the Company upon lodgement of the tax return for the year ended 30 June 2014), which included accrued interest, to Cape Lambert. The funds were received by the Company on 17 July 2014.

## 5. TRADE AND OTHER RECEIVABLES (CONTINUED)

(c) Current loans to ASX listed entities at balance date are made up as follows:

| | Interest rate | Carrying value of loans 31 December 2014 $ | 30 June 2014 $ |
|---|---|---|---|
| **Current** | | | |
| Loan of $400,000 (i) | 12.0% | **400,000** | 400,000 |
| Convertible loan note of $2,000,000 (ii) | 12.0% | **1,693,841** | 1,693,841 |
| Convertible loan note of $1,000,000 (iii) | 10.0% | **604,113** | 604,113 |
| Convertible loan note of $200,000 (iv) | 10.0% | **-** | 200,000 |
| Convertible loan note of $1,000,000 (v) | 10.0% | **-** | 650,000 |
| Loan of $200,000 (vi) | 10.0% | **200,000** | 200,000 |
| Converting loan of $250,250 (vii) | 15.0% | **250,250** | - |
| Loan of $320,000 (viii) | 10.0% | **320,000** | - |
| Converting loan of £100,000 (ix) | 10.0% | **187,935** | - |
| Carrying value of loans at inception | | **3,656,139** | 3,747,954 |
| Interest receivable recognised using the effective interest rate | | **1,286,374** | 1,286,374 |
| Interest received at the coupon rate | | **(584,328)** | (584,328) |
| Partial repayment of loan note | | **(100,000)** | (100,000) |
| Provision for impairment of receivables | | **(2,900,000)** | (2,900,000) |
| Current carrying value at amortised cost at balance date | | **1,358,185** | 1,450,000 |

**Reconciliation of movement in loans receivable**

| | Notes | Six months ended 31 December 2014 $ | Year ended 30 June 2014 $ |
|---|---|---|---|
| Opening balance | | **1,450,000** | 3,103,569 |
| Payment on subscription for convertible loan notes | | **438,185** | 2,855,685 |
| Loans advanced | | **320,000** | 910,000 |
| Repayment of loans | | **(650,000)** | (1,000,000) |
| Reversal of loan upon acquisition of subsidiary | | **-** | (1,000,000) |
| Conversion of convertible loan notes | | **(200,000)** | (4,005,685) |
| Effective interest | | **-** | 86,431 |
| Impairment of loans receivable | | **-** | (1,000,000) |
| Reversal of impairment allowance | | **-** | 1,500,000 |
| Current carrying value at amortised cost at balance date | | **1,358,185** | 1,450,000 |

(i) In December 2012, the Company advanced $400,000 to Global Strategic Metals Limited (**Global**). Interest is payable at 12% per annum. In part consideration for the loan agreement, the Company has been issued with 3,200,000 share options in Global exercisable at $0.10 each on or before 31 January 2015. In July 2014, a Deed of Cancellation of Options was entered into cancelling the 3,200,000 options. In September 2014, a deed of assignment and variation entered into, assigning the loan from Global to European Lithium Limited. In January 2015, a deed of variation was entered into, extending the repayment date to 30 June 2015.

## 5. TRADE AND OTHER RECEIVABLES (CONTINUED)

(ii) In September 2009, the Company subscribed for convertible loan notes of $2,000,000 in South East Asia Resources Limited (formerly Victory West Metals Limited). At inception, the conversion options embedded within the above convertible loan agreements were fair valued using a Black-Scholes Option Pricing Model. The fair values of the options were recognised as financial assets at fair value through profit and loss and reduced the carrying value assigned to the loans receivable balances. Subsequent to their initial recognition, the loans receivable have been measured at amortised cost using the effective interest rate method. The loans have been fully provided for given the appointment of administrators of South East Asia Resources Limited in January 2015 and doubt over the full recovery of the receivable.

(iii) In August 2012, the Company subscribed for convertible loan notes of $1,000,000 in OGL Resources Limited. At inception, the conversion options embedded within the above convertible loan agreements were fair valued using a Black-Scholes Option Pricing Model. The fair values of the options were recognised as financial assets at fair value through profit and loss and reduced the carrying value assigned to the loans receivable balances. Subsequent to their initial recognition, the loans receivable have been measured at amortised cost using the effective interest rate method. The loans have been fully provided for given the appointment of administrators of OGL Resources Limited in December 2014 and the uncertainty over the full recovery of the receivable.

(iv) In November 2013, the Company entered into a short term loan agreement with Cauldron Energy Limited (**Cauldron**) which was converted into Cauldron shares at a conversion rate of $0.13 per share. Interest was payable at 10% per annum. In October 2014, the loan (including interest) of $218,443 was converted into 1,680,330 ordinary shares in Cauldron.

(v) In March 2014, the Company entered into a converting loan agreement with Cauldron. Pursuant to the Converting Loan Agreement, the loan funds, subject to receipt of shareholder approval at Cauldron's 2014 Annual General Meeting, will automatically convert into ordinary shares in the Company. A total $650,000 was drawn down by Cauldron. On 4 August 2014, $325,000 was repaid in cash with the final amount of $349,852 (including interest) repaid in cash on 1 October 2014.

(vi) In May 2014, the Company advanced a short term loan of $200,000 to International Goldfields Limited (ASX: IGS). Interest is payable at 10% per annum and repayment is due on 31 March 2015.

(vii) In August 2014, the Company entered into a converting loan agreement with Kiwanda Mines (NA) LLC for $250,250. Interest accrues at 15% per annum and is payable quarterly in advance.

(viii) In November 2014, the Company advanced a loan of $320,000 to Allegra Capital Pty Ltd. Interest is payable at 10% per annum and repayment is due on or before 25 May 2016.

(ix) In December 2014, the Company entered into a converting loan agreement with European Lithium Limited for £100,000. Interest is payable at 10% per annum.

## 6. OTHER FINANCIAL ASSETS

| | 31 December 2014 $ | 30 June 2014 $ |
|---|---|---|
| **Non-Current** | | |
| *Financial Assets at Fair value through Profit or Loss* | | |
| Shares in listed entities (a) | **1,936,685** | 2,071,281 |
| | **1,936,685** | 2,071,281 |
| | | |
| *Financial Assets Available-for-sale* | | |
| Royalty asset (b) | **16,131,150** | - |
| Shares in unlisted entity (c) | **3,036,669** | 3,086,669 |
| | **19,167,819** | 3,086,669 |
| | | |
| **Total Financial Assets** | **21,104,504** | 5,157,950 |

**(a) Movements in the carrying amount of the non-current shares in listed entities**

| | 6 Months to 31 December 2014 $ | Year ended 30 June 2014 $ |
|---|---|---|
| Brought forward | **2,071,281** | 6,039,545 |
| Shares in listed entity received on conversion of loan | **213,725** | - |
| Purchase of equity investments | **289,132** | 605,068 |
| Shares in listed entity acquired through acquisition of subsidiary | **-** | 1,000 |
| Gain / (loss) on fair value of financial assets through profit and loss | **(617,931)** | 2,539,970 |
| Disposal of equity investments | **(22,526)** | (7,126,260) |
| Other | **3,004** | 11,958 |
| | **1,936,685** | 2,071,281 |

**(b) Royalty asset**

On 22 October 2014, the Company announced that it had entered into a US$20 million funding agreement with Timis Mining (**Agreement**) to assist it with the acquisition of London Mining's Marampa Iron Ore Mine (**Mine**) from the administrator of London Mining PLC.

The Agreement was divided into two parts, being:

(a) US$8 million (equivalent to A$9,177,428 on the date the funds were advanced) Bridging Finance repayable in 12 months and incurring interest of 3 months US LIBOR (London interbank offered rate) + 6%; and

(b) US$12 million (equivalent to A$13,766,142 on the date the funds were advanced) for purchase of a royalty (**Royalty Purchase**).

Pursuant to the Royalty Purchase, Cape Lambert will receive US$2 per tonne of iron concentrate exported from the Mine (**Royalty**), payable on a quarterly basis for a period of four years from the date if the first export shipment of iron ore from the Mine, being 28 December 2014.

The Royalty asset has been classified as an available-for-sale financial asset valued using a discounted cash flow model.

## 6. OTHER FINANCIAL ASSETS (CONTINUED)

### (c) Movement in the carrying amount of the shares in unlisted entity

| | 6 Months to 31 December 2014 $ | Year ended 30 June 2014 $ |
|---|---|---|
| Brought forward | **3,086,669** | 5,000,000 |
| Purchase of equity investment | **-** | 50,000 |
| Impairment of investments (d) | **(50,000)** | (1,963,331) |
| | **3,036,669** | 3,086,669 |

### (d) Impairment

Investments in unlisted entities are classified as available for sale financial assets. Available for sale financial assets are measured at fair value, or cost where fair value cannot be reliably measured until the investment is disposed of or determined to be impaired, at which time the gain or loss on disposal or the impairment is recognised in the profit or loss. Management have recognised an impairment loss of $50,000 (six months ended 31 December 2014: $1,963,331) in relation to the unlisted investment during the six months ended 31 December 2014.

## 7. EXPLORATION AND EVALUATION EXPENDITURE

| | Note | 6 Months to 31 December 2014 | Year ended 30 June 2014 |
|---|---|---|---|
| | | $ | $ |
| **Exploration and evaluation phases – at cost** | | **136,230,495** | 125,755,066 |
| | | | |
| **Movement in carrying amounts** | | | |
| Brought forward | | **125,755,066** | 48,301,425 |
| Exploration and evaluation expenditure capitalised | | **8,557,425** | 12,363,715 |
| Exploration and evaluation expenditure recognised on acquisition of subsidiary (a) | | **-** | 3,415,457 |
| Exploration and evaluation reclassified from non-current assets held-for-sale (b) | | **-** | 102,925,272 |
| Exploration expenditure impaired during the period (c) | | **(9,811,037)** | (39,061,758) |
| Foreign currency gains / (losses) | | **11,729,041** | (2,189,045) |
| **Total exploration and evaluation phases** | | **136,230,495** | 125,755,066 |

The value of the exploration expenditure is dependent upon:

- the continuance of the rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

Certain of Cape Lambert's exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to Indigenous people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

**(a) Exploration and evaluation expenditure on acquisition of subsidiary**

Upon conversion of a $2,000,000 convertible loan (plus $294,603 interest receivable) into 104,193,055 shares in Fe Limited, the Company holds 57.9% in Fe Limited resulting in Fe Limited becoming a subsidiary of Cape Lambert Resources Limited in February 2014.

**(b) Exploration and evaluation reclassified from held-for-sale**

Consistent with the Company's business strategy, the Company is committed to the divestment of Marampa and continues to actively market the project for sale whilst liaising with interested third parties. Based on the stage of current negotiations, at 30 June 2014 the Company has reclassified Marampa from held for sale due to the fact that there was insufficient evidence at balance date to meet the criteria specified in AASB 5 Non-current assets held for sale. The Company remains confident of selling Marampa in the short term.

**(c) Impairment**

During the six months ended 31 December 2014, Cape Lambert recognised impairment losses in respect of capitalised exploration and evaluation to the extent of $9,811,037 (six months ended 31 December 2013: $451). The impairment made during the period was recognised on areas of interest where sufficient data existed at balance date to indicate that the carrying amount of the exploration and evaluation asset was unlikely to be recovered in full from successful development or by sale.

## 8. INVESTMENTS IN ASSOCIATED ENTITIES

| | 31 December 2014 $ | 30 June 2014 $ |
|---|---|---|
| Investments in associates accounted for using the equity method | **4,192,084** | 3,652,394 |

### (a) Investment details

| | Percentage held at balance date 31 Dec 2014 | 30 June 2014 | 31 December 2014 $ | 30 June 2014 $ |
|---|---|---|---|---|
| Cauldron Energy Limited[1] | 17.4 | 21.0 | **2,214,790** | 2,308,526 |
| Kupang Resources Limited[1] | 12.6 | 12.6 | **-** | 55,000 |
| Global Strategic Metals Limited | 27.4 | 28.0 | **-** | 1,288,868 |
| European Lithium Limited | 21.9 | - | **1,977,294** | - |
| | | | **4,192,084** | 3,652,394 |

[1] Although the Company holds less than a 20% interest, these investments are equity accounted given the significant influence the Company has through Mr Sage's role on the Boards of these companies and the interchange of management personnel.

### (b) Movements in the carrying amount of the investment in associates

| | 31 December 2014 $ | 30 June 2014 $ |
|---|---|---|
| Balance at beginning of period | **3,652,394** | 3,150,607 |
| Purchase of shares | **49,756** | 669,363 |
| Sale of shares | **(26,801)** | - |
| Conversion of convertible loan notes | **883,914** | 4,387,267 |
| Share of losses of associates recognised during the period | **(945,218)** | (1,728,978) |
| Share of reserves of associates recognised during the period | **578,039** | (53,903) |
| Interest in associate reclassified as subsidiary | **-** | (2,532,631) |
| Impairment loss (d) | **-** | (239,331) |
| | **4,192,084** | 3,652,394 |

### (c) Fair value of investments in associates

The fair value of listed associates has been determined by reference to published price quotations in an active market (level 1).

| | 31 December 2014 $ | 30 June 2014 $ |
|---|---|---|
| Cauldron Energy Limited | **6,870,755** | 14,854,280 |
| Kupang Resources Limited | **1,218,073** | 974,459 |

### (d) Impairment assessment

The carrying amounts of the investments in associates were assessed for impairment at 31 December 2014. Impairment losses of nil have been recognised during the half year ended 31 December 2014 (six months ended 31 December 2013: nil).

## 9. INCOME TAXES

During the six months ended 31 December 2014, the Company paid $2,465,106 (31 December 2013: nil) to the Australian Taxation Office (**ATO**).

In May 2012, the Company received a notice of amended tax assessment and penalty notice (Amended Assessment) from the ATO which resulted from an audit undertaken by the ATO.

On 11 December 2012 the Company announced that following discussions with the ATO it had agreed to an arrangement for payment (**Arrangement**) to pay half the primary tax and shortfall interest charge pending the outcome of objections lodged by the Company. Under this Arrangement the Company paid to the ATO an amount of $33,395,426. On 26 February 2014, the Company announced that the objections lodged with the ATO in relation to the Amended Assessment were disallowed.

On 1 August 2014, the Company announced it had reached an out of court settlement with the ATO. Under the terms of the settlement, the Company has on a without admission of liability basis, made a final payment to the ATO of $2,465,106 following the issue of further amended assessments. This represents full and final settlement and removes the potential for any future payments to the ATO under the Amended Assessment issued in 2012. Included within the total settlement amount is interest payable of $6,159,613 recognised in the Consolidated Statement of Comprehensive Income for the year ended 30 June 2014.

## 10. DIVIDEND

On 8 August 2014, following the successful settlements with the ATO and MCC, the Company announced the payment of 4cps in fully franked dividends. The payment of the first fully franked dividend of 2cps was made on 31 October 2014. On 7 January 2015, the Company announced the postponement of the second fully franked dividend of 2cps originally scheduled to be paid on 27 February 2015.

## 11. ISSUED CAPITAL

| | 31 December 2014 $ | 30 June 2014 $ |
|---|---|---|
| 626,686,586 fully paid ordinary shares (30 June 2014: 634,727,857) | **189,786,328** | 190,685,855 |

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held and in proportion to the amount paid up on the shares held. At shareholders meetings, each ordinary share is entitled to one vote in proportion to the paid up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

***Movement in ordinary shares on issue***

| | Ordinary fully paid shares | |
|---|---|---|
| **31 December 2014** | **Number** | **$** |
| Shares on issue at 1 July 2014 | 634,727,857 | 190,685,855 |
| Shares cancelled as part of on-market buyback | (8,041,271) | (899,527) |
| **Shares on issue at 31 December 2014** | **626,686,586** | **189,786,328** |

| | Ordinary fully paid shares | |
|---|---|---|
| **30 June 2014** | **Number** | **$** |
| Shares on issue at 1 July 2013 | 679,691,942 | 195,614,664 |
| Shares cancelled as part of on-market buyback | (44,964,085) | (4,928,809) |
| **Shares on issue at 30 June 2014** | **634,727,857** | **190,685,855** |

## 12. CONTINGENT ASSET

**Contingent asset for future royalties payable from the Mayoko Iron Ore Project**
In March 2012, Johannesburg Stock Exchange listed Exxaro Resources Limited completed a takeover offer for all of the shares and listed options in African Iron Limited, a company in which the Company held 126,700,000 shares, delivering $72.2 million in cash to the Company. African Iron Limited owns the Mayoko Iron Ore Project which is located in the Republic of Congo (**Mayoko Project**). As part of the takeover transaction, the Company retains a production royalty of AUD$1.00 (indexed annually to the CPI) per tonne of iron ore shipped from the Mayoko Project (**Mayoko Royalty**).

On 6 February 2014, the Company released an announcement advising shareholders that Exxaro Resources Limited has been granted a Mining Convention for the Mayoko Project.

As at 31 December 2014, the Company has not recognised any amount for the Mayoko Royalty as a receivable.

## 13. RELATED PARTY TRANSACTIONS

The following table provides the total amount of transactions that have been entered into with related parties for the six months ended 31 December 2014 and 31 December 2013:

| | | Recharges to related parties | Purchases from related parties | Consulting fees paid |
|---|---|---|---|---|
| *Related entities with common directors:* | | | | |
| African Petroleum Corporation Limited | **31 Dec 2014** | **17,942** | **-** | **-** |
| African Petroleum Corporation Limited | 31 Dec 2013 | 14,428 | - | - |
| International Petroleum Limited | **31 Dec 2014** | **91,765** | **-** | **-** |
| International Petroleum Limited | 31 Dec 2013 | 14,428 | - | - |
| *Associate entities:* | | | | |
| Fe Limited | **31 Dec 2014** | **20,819** | **4,545** | **-** |
| Fe Limited | 31 Dec 2013 | 55,731 | - | - |
| Global Strategic Metals Limited | **31 Dec 2014** | **205,286** | **-** | **-** |
| Global Strategic Metals Limited | 31 Dec 2013 | 50,799 | - | - |
| Cauldron Energy Limited | **31 Dec 2014** | **293,865** | **1,123** | **-** |
| Cauldron Energy Limited | 31 Dec 2013 | 64,939 | - | - |
| Kupang Resources Limited | **31 Dec 2014** | **503,809** | **-** | **-** |
| Kupang Resources Limited | 31 Dec 2013 | - | - | - |
| European Lithium Limited | **31 Dec 2014** | **17,151** | **-** | **-** |
| European Lithium Limited | 31 Dec 2013 | - | - | - |
| *Director related entities:* | | | | |
| Perth Fashion Festival Pty Ltd | **31 Dec 2014** | **-** | **14,879** | **-** |
| Perth Fashion Festival Pty Ltd | 31 Dec 2013 | - | 12,104 | - |
| Perth Glory Football Club | **31 Dec 2014** | **360** | **5,460** | **-** |
| Perth Glory Football Club | 31 Dec 2013 | - | - | - |
| Okewood Pty Ltd | **31 Dec 2014** | **370** | **305,631** | **755,000** |
| Okewood Pty Ltd | 31 Dec 2013 | - | 247,067 | 350,000 |

## 13. RELATED PARTY TRANSACTIONS (CONTINUED)

The following table provides the balances owed by and to related parties as at 31 December 2014 and 30 June 2014:

| | | **Amounts owed by related parties*** | **Amounts owed to related parties*** |
|---|---|---|---|
| *Associate entities:* | | | |
| Fe Limited | **31 Dec 2014** | **-** | **-** |
| Fe Limited | 30 June 2014 | 1,238 | - |
| Global Strategic Metals Limited | **31 Dec 2014** | **-** | **-** |
| Global Strategic Metals Limited | 30 June 2014 | 153,135 | - |
| Cauldron Energy Limited | **31 Dec 2014** | **153,805** | **-** |
| Cauldron Energy Limited | 30 June 2014 | 33,135 | - |
| Kupang Resources Limited | **31 Dec 2014** | **508,738** | **-** |
| Kupang Resources Limited | 30 June 2014 | 4,929 | - |
| European Lithium Limited | **31 Dec 2014** | **12,960** | **-** |
| European Lithium Limited | 30 June 2014 | - | - |
| | | | |
| *Director related entities:* | | | |
| Perth Fashion Festival Pty Ltd | **31 Dec 2014** | **-** | **-** |
| Perth Fashion Festival Pty Ltd | 30 June 2014 | - | - |
| Perth Glory Football Club | **31 Dec 2014** | **396** | **-** |
| Perth Glory Football Club | 30 June 2014 | - | - |
| Okewood Pty Ltd | **31 Dec 2014** | **370** | **-** |
| Okewood Pty Ltd | 30 June 2014 | - | - |

* The amounts are classified as trade receivables and trade payables, respectively.

## 13. RELATED PARTY TRANSACTIONS (CONTINUED)

The following table provides the loan details that have been entered into with related parties for the six months ended 31 December 2014 and 31 December 2013:

| | | Interest earned | Interest converted to shares | Amounts drawn down | Amounts repaid | Amounts converted to shares |
|---|---|---|---|---|---|---|
| *Associate entities:* | | | | | | |
| Cauldron Energy Limited ($1,000,000) | **31 Dec 2014** | **11,813** | **-** | **-** | **674,852** | **-** |
| Cauldron Energy Limited ($1,000,000) | 31 Dec 2013 | - | - | - | - | - |
| Cauldron Energy Limited ($200,000) | **31 Dec 2014** | **5,495** | **18,443** | **-** | **-** | **200,000** |
| Cauldron Energy Limited ($200,000) | 31 Dec 2013 | 2,630 | - | 200,000 | - | - |
| Cauldron Energy Limited ($655,685) | **31 Dec 2014** | **-** | **-** | **-** | **-** | **-** |
| Cauldron Energy Limited ($655,685) | 31 Dec 2013 | 24,431 | 24,431 | 655,685 | - | 655,685 |
| Global Strategic Metals Limited ($400,000) | **31 Dec 2014** | **4,077** | **-** | **-** | **-** | **-** |
| Global Strategic Metals Limited ($400,000) | 31 Dec 2013 | 24,197 | - | - | - | - |
| Global Strategic Metals Limited ($1,350,000) | **31 Dec 2014** | - | - | - | - | - |
| Global Strategic Metals Limited ($1,350,000) | 31 Dec 2013 | 64,323 | 64,323 | 1,350,000 | - | 1,350,000 |
| European Lithium Limited ($400,000) | **31 Dec 2014** | **20,121** | **-** | **-** | **-** | **-** |
| European Lithium Limited ($400,000) | 31 Dec 2013 | - | - | - | - | - |
| European Lithium Limited (£100,000) | **31 Dec 2014** | **1,461** | **-** | **187,935** | **-** | **-** |
| European Lithium Limited (£100,000) | 31 Dec 2013 | - | - | - | - | - |
| Fe Limited | **31 Dec 2014** | - | - | - | - | - |
| Fe Limited | 31 Dec 2013 | 84,533 | - | - | - | - |

## 13. RELATED PARTY TRANSACTIONS (CONTINUED)

The following table provides the loan balances owed by and to related parties as at 31 December 2014 and 20 June 2014:

| | | **Amounts owed by related parties** |
|---|---|---|
| *Associate entities:* | | |
| Cauldron Energy Limited ($200,000) | **31 Dec 2014** | - |
| Cauldron Energy Limited ($200,000) | 30 June 2014 | 200,000 |
| Cauldron Energy Limited ($1,000,000) | **31 Dec 2014** | **-** |
| Cauldron Energy Limited ($1,000,000) | 30 June 2014 | 650,000 |
| | | |
| Global Strategic Metals Limited ($400,000) | **31 Dec 2014** | - |
| Global Strategic Metals Limited ($400,000) | 30 June 2014 | 400,000 |
| | | |
| European Lithium Limited ($400,000) | **31 Dec 2014** | **400,000** |
| European Lithium Limited ($400,000) | 30 June 2014 | - |
| European Lithium Limited (£100,000) | **31 Dec 2014** | **187,835** |
| European Lithium Limited (£100,000) | 30 June 2014 | - |

Refer to Note 5 for details of loans to related parties.

## 14. FINANCIAL RISK MANAGEMENT

**Risk Management Activities**

The risk management activities are consistent with those of the previous financial year unless otherwise stated.

**Financial Instruments**

Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the Group:

| | 31 December 2014 $ | 30 June 2014 $ |
|---|---|---|
| **Financial assets:** | | |
| Cash and cash equivalents | **16,681,835** | 20,490,719 |
| Restricted cash | **113,345** | 98,264 |
| Trade and other receivables | **15,912,376** | 56,382,147 |
| Other financial assets | **21,104,504** | 5,157,950 |
| | **53,812,060** | 82,129,080 |
| **Financial liabilities:** | | |
| Trade and other payables | **3,289,446** | 7,071,630 |
| Dividend payable | **12,533,732** | - |
| | **15,823,178** | 7,071,630 |

### (a) Market Risk

(i) Foreign Currency Risk

The Cape Lambert Group operates internationally and is exposed to foreign exchange risk arising from commercial transactions. The Consolidated Entity converted assets and liabilities into the functional currency where balances were denominated in a currency other than the Australian dollars.

The Consolidated Entity also has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency.

As at 31 December 2014, the Consolidated Entity had the following exposure to foreign currency:

| | 31 December 2014 | 30 June 2014 |
|---|---|---|
| **Financial assets:** | | |
| Cash and cash equivalents - USD | $49,877 | $433,741 |
| Cash and cash equivalents - CFA | CFA9,462,633 | CFA9,903,777 |
| Cash and cash equivalents - SLL | SLL152,106,905 | SLL209,831,250 |
| Cash and cash equivalents - GNF | GNF80,536,142 | GNF48,366,507 |

The Consolidated Entity recognised a foreign currency exchange loss for the half year ended 31 December 2014 of $1,460 (2014: $11,167 loss) as a result of translating funds held in foreign currency to Australian dollars.

Movement of 10% in the foreign currency exchange rates as at 31 December 2014 would have increased the consolidated loss by $146 (2013: $1,117 loss).

Managements have set up a policy to monitor and measure this risk using sensitivity analysis and cash flow forecasting.

## 14. FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Cash Flow Interest Rate Risk

The Consolidated Entity's exposure to market interest rates relates primarily to the Consolidated Entity's cash and cash equivalents. The Consolidated Entity is exposed to movements in market interest rates on short term deposits.

At the reporting date, the Cape Lambert Group had the following variable rate cash and cash equivalents and restricted cash:

| | 31 December 2014 $ | 30 June 2014 $ |
|---|---|---|
| **Financial assets:** | | |
| Cash and cash equivalents | **16,681,835** | 20,490,719 |
| Restricted cash | **113,345** | 98,264 |
| | **16,795,180** | 20,588,983 |
| Weighted average interest rate | **3.25%** | 2.85% |

Movement of 50 basis points on the interest rate would have increased/(decreased) the consolidated profit by $119,994 (2014:$409,770).

(iii) Price Risk

The Cape Lambert Group is exposed to equity securities price risk. This arises from investments held and classified on the statement of financial position as at fair value through profit or loss. The Cape Lambert Group is not exposed to commodity price risk.

To manage its price risk arising from investments in equity securities, the Cape Lambert Group diversifies its portfolio which is done in accordance with the limits set by the Board of Directors.

The majority of the Cape Lambert Group's equity investments are publicly traded on the Australian Stock Exchange (ASX).

## 14. FINANCIAL RISK MANAGEMENT (CONTINUED)

The table below summarises the impact of increases/decreases of financial assets at fair value through profit and loss on the Cape Lambert Group's post tax loss for the year and on equity. The analysis is based on the assumption that the value of financial assets at fair value through profit and loss had increased/decreased by 10% (30 June 2014 – 10%) with all other variables held constant.

| Consolidated | Impact on Post-Tax Profit/(Loss) | | Impact on Equity | |
|---|---|---|---|---|
| | 31 December 2014 | 30 June 2014 | 31 December 2014 | 30 June 2014 |
| | $ | $ | $ | $ |
| Shares in listed entities | **193,668** | 207,128 | **-** | - |
| | **193,668** | 207,128 | **-** | - |

### (b) Credit Risk

Credit risk is managed on a consolidated basis. Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Cape Lambert Group. The Cape Lambert Group has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The credit risk on financial assets, excluding investments, of the Cape Lambert Group, which have been recognised on the statement of financial position, is the carrying amount, net of any provision for doubtful debts.

The Cape Lambert Group is exposed to credit risk as a result of subscribing to loan notes and convertible loan notes issued by listed and unlisted entities. This credit risk is managed by obtaining adequate security over the loans, generally in the form of a fixed and floating charge over the assets of the borrower. Details of the loan notes and convertible loan notes to which the Cape Lambert Group had subscribed during the year are listed in note 8.

98% (30 June 2014: 98%) of the Company's cash and cash equivalents are held by banks with a Moody's credit rating of Aa2.

| | 31 December 2014 | 30 June 2014 |
|---|---|---|
| | $ | $ |
| **Financial assets:** | | |
| Cash and cash equivalents and restricted cash | **16,795,180** | 20,588,983 |
| Trade and other receivables | **15,912,376** | 56,382,147 |
| Other financial assets | **21,104,504** | 5,157,950 |
| | **53,812,060** | 82,129,080 |

### (c) Liquidity Risk

The Cape Lambert Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows in relation to its operational, investing and financing activities.

At the reporting date, the Cape Lambert Group had no financing arrangements in place.

All financial liabilities are current and expected to settle within six months.

## 14. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (d) Fair Value Estimation

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes. The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values as the carrying value less impairment provision of trade receivables / other receivables and payables are assumed to approximate their fair values due to their short-term nature.

AASB 7 Financial Instruments: Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Consolidated Entity's assets measured at fair value at 31 December 2014.

| | Level 1<br>$ | Level 2<br>$ | Level 3<br>$ | Total<br>$ |
|---|---|---|---|---|
| **Financial assets** | | | | |
| *Financial assets at Fair value through Profit and Loss* | | | | |
| Shares in listed entities | **1,936,685** | **-** | **-** | **1,936,685** |
| *Financial Assets Available-for-sale* | | | | |
| Royalty asset (i) | **-** | **-** | **16,131,150** | **16,131,150** |
| | **1,936,685** | **-** | **16,131,150** | **18,067,835** |

**Reconciliation of Level 3 Financial Assets**

| | 31 December 2014<br>$ | 30 June 2014<br>$ |
|---|---|---|
| Opening balance | **-** | - |
| Purchase of royalty asset | **13,766,142** | - |
| Cash proceeds received | **(390,469)** | |
| Interest revenue recognised based on effective interest rate method | **1,748,332** | - |
| Foreign currency translation | **1,007,146** | - |
| Closing balance | **16,131,150** | - |

(i) The Royalty asset has been classified as an available-for-sale financial asset valued using a discounted cash flow model using the following key inputs:
- Projected annual production of 5.6mwtpa
- Effective interest rate of 79%

The following table presents the Consolidated Entity's assets measured at fair value at 30 June 2014.

| | Level 1<br>$ | Level 2<br>$ | Total<br>$ |
|---|---|---|---|
| **Financial assets:** | | | |
| **Financial assets at Fair value through Profit and Loss** | | | |
| Shares in listed entities | 2,071,281 | - | 2,071,281 |
| | 2,071,281 | - | 2,071,281 |

## 15. EVENTS SUBSEQUENT TO REPORTING DATE

The following significant events and transactions have taken place subsequent to 31 December 2014:

- On 7 January 2015, the Company announced cost reduction measures subsequent to a review of its capital management strategy and projected expenditure in light of recent deteriorating market conditions and the substantial fall in the iron ore price.

  As a result, the Company instituted a range of cost reduction measures across its business and reduced exploration activities across its portfolio of assets and placed some non-core assets on 'care and maintenance'.

  In addition to these measures, the Board has also determined it prudent to postpone the second dividend payment to shareholders scheduled for payment on 27 February 2015.

- On 23 January 2015, the Company announced the completion of the on market buy-back which commenced on 23 January 2014. A total amount of $4,244,992 was paid to buy back 41,252,301 ordinary shares. Shares that were bought back by the Company have been cancelled.

- On 27 January 2015, the Company announced it had received its first royalty payment from Timis Mining Corporation SL Limited. A royalty payment of approximately A$400k was received for the first shipment of iron concentrate in December 2014 from the Marampa Iron Ore Mine.

## 16. NOTE TO THE CASH FLOW STATEMENT

### (a) Reconciliation of Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks. Cash and cash equivalents at the end of the period as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

| | 31 December 2014<br>$ | 30 June 2014<br>$ |
|---|---|---|
| *Cash and cash equivalents* | | |
| Cash in banks and on hand | **1,681,835** | 5,490,719 |
| Deposits at call | **15,000,000** | 15,000,000 |
| Cash and cash equivalents per consolidated statement of cash flows | **16,681,835** | 20,490,719 |
| Less: cash and cash equivalents classified as held for sale | **-** | - |
| Cash and cash equivalents per consolidated statement of financial position | **16,681,835** | 20,490,719 |

### (b) Non-Cash Activities

***Current year***

No significant non-cash investing or financing transactions occurred during the period ended 31 December 2014.

***Prior year***

No significant non-cash investing or financing transactions occurred during the year ended 30 June 2014.

## DIRECTORS' DECLARATION

In the opinion of the directors:

(a) The financial statements and notes of the Consolidated Entity for the half-year ended 31 December 2014 are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

(ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting, International Financial Reporting Standard, IAS 34 Interim Financial Reporting and the Corporations Regulations 2001

(b) There are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Tony Sage
Director

Dated this 6th day of March 2015

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# To the members of Cape Lambert Resources Limited

## Report on the interim financial report

We have reviewed the accompanying interim financial report of Cape Lambert Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the half-year ended on that date and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

## Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of Cape Lambert Resources Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the review of the interim financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Cape Lambert Resources Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

G H Meyerowitz
Partner
Perth
6 March 2015